SUBMISSION BY THE

CLC COUNCIL OF MARITIME UNIONS

TO THE

INDUSTRY/LABOUR TASK FORCE

ON

DEEP-SEA SHIPPING

opeiu225

July, 1984

INTRODUCTION

The CLC Council of Maritime Unions welcomes this opportunity to once again put forward its position on a Canadian Deep-Sea Fleet. It is a position that dates virtually from the dissolution of the world's fourth largest fleet shortly after World War II and therefore, is well known to most, if not all, of the Task Force members. Nevertheless, the Council is prepared for involvement in debate over the issue of a deep-sea fleet any time it happens to reach the public policy agenda.

The Council is hopeful that the Task Force will signal strong support for development of a Canadian-Flag Deep-Sea Fleet to a new federal government. Too much dust on too many previous reports and studies serve as a reminder of lost opportunities and foregone benefits to Canada.

The Council's position, as will be elaborated, is based on countless resolutions and policy statements passed by individual unions, federations of marine workers' unions, federations of labour and the Canadian Labour Congress, over many years. The most recent of these is the resolution adopted by the 15th Constitutional Convention of the CLC in May, 1984 (reprinted in Appendix A).

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BRIEF HISTORY

As previously mentioned, concern over the matter of a Canadian deep-sea fleet dates back to the late 1940's. Some recapitulation of more recent manifestations of this concern is appropriate to demonstrate the labour movement's consistency and frustration.

In 1969, the CLC presented a brief to the then Ministers of Industry and Transport which stated in part:

«The Canadian Labour Congress urges the Federal Government to re-examine national maritime policy with a view to strengthening the shipbuilding and ship repair industries and re-establishing a national flag fleet capable of lifting a significant portion of Canada's overseas trade...»

The brief contained a number of specific recommendations, the major ones of which included:

- restriction of all coastal shipping to Canadian-flag ships;
- institution of a programme to facilitate the operation of merchant ships under the Canadian flag;
- establishment of a crown corporation to own and operate ocean ships should response by private owners be insufficient;
- incentives to the shipbuilding industry, to consolidate facilities into viable competitive operations.

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That was near the beginning of the Trudeau Liberal administrations. In the decade that followed a number of major studies were commissioned by the federal government into various aspects of Canadian shipping policy. These included the Darling Reports of 1970 and 1974, the Hedlin Menzies Report of 1970 and the Alcan Shipping Services Report of 1977.

In response to the 1974 Darling Report (The Elements of an International Shipping Policy for Canada), the CLC reiterated its call for prompt government action to re-establish a Canadian-flag, deep-sea merchant fleet. While endorsing the general thrust of the Darling Report, the CLC particularly noted its observation that «Canada, with its hands-off policy, is close to becoming a unique case among the world's main trading nations». To reverse this uniqueness we recommended a fleet composed of repatriated Canadian ships as well as new ships built in Canadian shipyards as a result of a government-encouraged expansion of the Canadian shipbuilding industry. Benefits identified as flowing from such a development included improved employment, long-term stability and growth in the shipping industry, increased Canadian control of working conditions and operation of ships trading from Canadian ports, and an improved balance of payments for Canada.

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In the aftermath of the Darling Report, then Transport Minister Jean Marchand offered a flicker of hope that Canada might adopt a more «hands-on» approach when he said: «Obviously, with the major shifts in the world shipping scene such as technological change, concentration of ownership of the world shipping fleets into a relatively small number of hands and the increasing trend to restrictive bi-lateral shipping agreements, Canada cannot stand still.» The hope never materialized.

Indeed, in 1979 another Transport Minister, Otto Lang issued a Report (A Shipping Policy for Canada) which concluded that continuing dependence on the international shipping market to supply most Canadian deep-sea shipping requirements was still the best policy. This, in spite of the fact that the Report warned of some serious risks in pursuing existing policy. The implications of increased foreign government involvement in shipping, reduced competition and changing economics led to the statement that «In the light of current and likely future developments it is highly doubtful that Canada can continue to rely automatically on the competitive forces of the international shipping market to supply all the services Canada needs...the question of Canadian flag shipping cannot be ignored.» Also acknowledged were several positive impacts of developing a Canadian flag fleet with either foreign or Canadian built ships. Nevertheless, the Report stuck to a «stay the course» option.

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The federal election campaign that followed presented the New Democratic Party with an opportunity to enunciate a five-point program to establish a Canadian merchant marine as an integral part of an overall industrial strategy. (See Appendix B.)

The ensuing, short-lived Progressive Conservative Government did not have the time to seriously address the issue but a Report released by Transport Canada in October, 1979 (Background Paper on Deep-Sea Shipping) did conclude that: «...it would be desirable to put in place measures to encourage the gradual development of a Canadian deep-sea fleet...Carefully selected tax and financial incentives, coupled with appropriate supporting policies, would be well received by shipowners, the shipbuilding industry, and labour, as well as those among the public generally that feel that Canada, with its large volume of overseas trade, its long coast lines and its Arctic potential, should have a deep-sea capability.»

Subsequent to the 1980 federal election another Liberal Transport Minister, Jean-Luc Pepin, wrote to John Fitzpatrick, President of the Shipyard General Workers' Federation of B.C.. In this letter, dated January 27, 1982, the Minister basically reaffirmed traditional policy by stating: «...a fundamental principle of our present maritime policy is to leave Canadian shippers free to select the carrier of their choice.»

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This is at least a partial background to the formation of the current Task Force. It is a picture characterized by periodic signs of promise in the midst of unshakable fixation with a policy now nearly forty years old. What emerges is a trail of good and cogent arguments for the encouragement of a Canadian deep-sea fleet nullified by a lack of political will. The Task Force we believe, should make the strongest possible case in support of a deep-sea fleet for Canada.

A POLICY IN THE CANADIAN INTEREST

Present Canadian deep-sea shipping policy is marked by one overwhelming feature - reliance on flags of convenience and state-owned/subsidized fleets (eg. Eastern Bloc). The following excerpt from an International Transport Workers' Federation publication (Panorama, Vol. 2, No. 3, 1980) captures well what this means.

> "The transfer of ships from the registries of traditional maritime countries to the phony flags of Liberia, Panama, Bermuda and the rest of the minor maritime nations which are only too eager to make a fast buck out of inadequately supervised fleets has been one of the most unacceptable features of recent maritime history. The trade union movement is only too well aware of the continuing loss of job opportunities in the major sea-faring countries and of the exploitation and misery suffered by seamen from developing

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> countries obliged to accept employment on ships operated by owners who have scant regard for the welfare or safety of the crews they employ. Governments have seemed only too willing to pay no more than lip-service to the international agreements which their own representatives have established, failing to carry out inspections of ships flying those flags of convenience under which regular breaches of accepted standards are known to occur.»

To use an analogy, the explicit support for flags of convenience ships is really tantamount to support for floating export processing zones. Export processing zones (EPZs) are enclaves that have been created, particularly in developing countries, which offer an attractive investment climate for many corporations trying to avoid social responsibilities. Typical of the package of incentives given by the host country are: fully equipped and serviced infrastructure; abundant low-cost labour supply; tariff, tax and currency privileges; «efficient» administration; few, if any regulations over matters such as health and safety; and, avoidance of trade union rights. Philosophically, as trade unionists we cannot support continuation of this approach either on land or at sea.

In practical terms, we know there is an alternative - an alternative to foreign built and registered ships, to foreign crews and to avoidance of taxes and acceptable standards. That alternative immediately surfaces issues such as sovereignty, vulnerability to foreign shipping, direct employment (both on board and in shipbuilding and repair) and indirect jobs (eg. steelmaking), balance of payments, tax revenues and the reality of Canada as a trading and ocean-bound nation. And, it surfaces these issues and others in a positive way - for Canada.

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That alternative of course is the development of a Canadian-flag deep-sea fleet; in other words, a change in policy.

The reasons for such a change, the possible consequences of no change, and the benefits of change are actually well documented in the Discussion Paper released by the Task Force on June 5, 1984 (Canadian Deep-Sea Shipping Policy: Meeting New Challenges).

The main reasons as advanced in the Discussion Paper (page 5) include:

a) the potential for economic development opportunities in a large and diversified industry;

b) the protection of long-term Canadian interests in an industry affected by interventions of foreign governments;

c) consideration of strategic factors such as sovereignty over Canadian waters, environmental protection, balance of payments and national defence.

On pages nine and ten of the Discussion Paper several reasons are given for why shipping services to Canada may become less reliable or more expensive. All should be taken seriously but one in particular stands out:

«OECD countries, unlike Canada, will not likely tolerate total eradication of their national fleets and will likely try to stop the loss of employment and control through various incentives and protectionist measures...»

Again, on pages seventeen and eighteen of the Discussion Paper, a number of tangible and intangible benefits that could be stimulated by the development of a Canadian fleet are listed. These range from job creation, higher domestic content and spin-off business activity to greater national economic security, a Canadian «window» on the shipping industry and assertion of sovereignty.

The Discussion Paper also includes a set of five options ranging from the status quo to the establishment of clear fleet development objectives (Option 3). Because Option 3 is the only one that would be «most effective» in realizing the objective of the creation of a Canadian fleet (the others score from «nil» to «limited» according to this objective), the Council urges the Task Force to pursue it forcefully. To buttress this approach we offer the following rationale.

Canada is a major trading nation. About one-third of our total trade by value is moved on the deep-sea. In 1981 the estimated ocean freight bill on these commodities was about $5 billion (which represented a 100 per cent increase since 1977). As the Discussion Paper notes, «This sum mostly paid to foreign shipowners...illustrates the size of potential markets for Canadian shipowners and the degree of Canadian exposure in that sector.» These payments constitute an important element of our trade deficit on goods and services - and we have been paying them for nearly forty years.

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Foreign shipowners do not pay taxes to the Canadian Government. Nor do they provide jobs for Canadian workers. Canada is, in effect, exporting thousands of jobs and revenues which could be used to generate a higher standard of living in this country.

Canada is also a maritime nation. In addition to many primary resources, we possess an enviable asset - oceans on the east, west and north. Traffic into and out of these waters should be of vital concern to us. But, even with the world's longest shoreline, barely one per cent of Canada's deep-sea trade is accounted for by Canadian-flag carriers (much less Canadian-built carriers). The logical extension of our role as a trading nation (especially as an exporter of bulk commodities such as wheat and minerals) bounded by water, into the area of deep-sea shipping has been a costly missing link.

As most of the reports referred to earlier have mentioned, the resultant reliance on foreign flag (including state-controlled/sudsidized) shipping may leave Canada increasingly at the mercy of fleets serving as instruments of national policies of their own countries. Over fifty countries already have in place restrictive measures which promote the use of their national merchant fleets.

The 1974 UNCTAD Code of Conduct for Liner Conferences (40 per cent - exporter, 40 per cent-importer, 20 per cent - other) is a formula that could be the basis for renewal of a Canadian deep-sea fleet. Unfortunately, our short-sightedness over the years means that, at least in the short-term, Canada would not be in a position to profit from this arrangement.

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It is also probable that bulk shipping will be controlled increasingly by the importing and exporting nations, further restricting third-flag countries upon which Canada is dependent. As a participant in such bi-lateral trade agreements, Canada, if it had a deep-sea fleet, could negotiate transport quotas in Canadian bottoms for both exports and imports along the lines of the UNCTAD formula extended to bulk cargo vessels.

A Canadian-flag deep-sea fleet could also help to consolidate our sovereignty over the 200-mile coastal zone, including the Arctic Ocean. Furthermore, in cases of national emergency, eg. armed conflict or embargoes on key commodities, a fleet capable of responding to Canadian interests would be invaluable.

Canada could have an instant deep-sea fleet simply if all the vessels owned by Canadians that met our standards were repatriated. Beyond this measure however, ship repairs and the building of new and replacement vessels in Canadian shipyards would mean badly-needed jobs and additional tax revenues. In fact, a coherent package of incentives for the shipbuilding and repair industry along the lines recommended by the late 1970's Consultative Task Force on the Shipbuilding and Repair Industry would form a natural complement to the development of a deep-sea fleet (we could expand with some specific proposals on shipbuilding and repair but in view of the Task Force's mandate this is perhaps best left to another time and place).

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A Canadian deep-sea fleet would mean more jobs for Canadian crews. In conjunction with these opportunities, training programmes should be established for qualified marine officers and unlicensed crews to provide the skilled manpower for highly specialized vessels.

With respect to the issue of financial inducement to create a Canadian deep-sea fleet, we take the position that should any financial incentives be required, they be contingent upon satisfaction of at least two conditions:

a) demonstration of genuine need on a case-by-case basis; and

b) funds being tied to performance guarantees.

Any developmental costs should be regarded as necessary investments for facilitating our exports to and imports from foreign countries. They should also be weighed against current infrastructural costs (eg. search and rescue, ice-breaking, ports, dredging, etc.) which accommodate mainly foreign shipping at public expense.

We are not interested in providing a windfall for Canadian shipowners such as Canadian Pacific. We are interested in a strategy that combines repatriation and a shipbuilding and repair program, in order that, over time, as older vessels are replaced with more technologically-advanced ships, the Canadian deep-sea fleet would be completely Canadian built, registered and crewed.

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CONCLUSION

Due to a misguided, incomplete analysis, the federal government has opted for apparent short-term gains and turned its back on the substantial benefits which would have accrued with the revival of a Canadian-flag deep-sea fleet. We have already paid a price - lost jobs, lost foreign exchange and lost government revenues - for its decision. And, the price can only climb if the policy is not reversed.

As Canadian workers in the maritime industries, we have supported Canadian automotive workers and their industry, for example, in their appeal for Canadian content legislation. Likewise they have supported our campaign for a Canadian built, registered and crewed deep-sea fleet. The common ground is one of fair trade and fair treatment in an increasingly state-controlled and monopolistic international environment.

We pay our taxes to the Canadian government, not the governments of Bermuda, Singapore, Liberia and the other «flag of convenience» nations or the governments of state-controlled fleets (eg. Soviet Union). What we expect in return is government policy that is responsive to our needs and to regional and national interests, not the interests of corporations who choose to register their vessels elsewhere, buy them from foreign shipyards and crew them with foreign crews. What appears to us to be quite reasonable has nonetheless been ignored by government policy.

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We trust this Task Force will be a turning point in a long effort to develop a truly Canadian deep-sea fleet.

All of which is respectfully submitted by the CLC Council of Maritime Unions.

July 10, 1984
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APPENDIX A

Resolution on a Merchant Marine Adopted by the 15th Constitutional Convention of the Canadian Labour Congress, May 1984

WHEREAS the absence of a Canadian deep-sea fleet leaves this country dangerously dependent on foreign ships for our large import and export trade; and

WHEREAS upwards of two hundred flag of convenience vessels are beneficially owned by Canadian interest; and

WHEREAS a Canadian Merchant Marine would provide job opportunities, increase trade, improve our balance of payments, develop spin-off enterprises, reduce our dependency on foreign ships and raise our national prestige in the world; and

WHEREAS the United Nations Committee on Trade and Development (UNCTAD) with its recommended 40-40-20 formula for shipping policy could be used as a basis for a Canadian Merchant Marine Fleet as found in other maritime nations; and

WHEREAS vessels used in commercial activities such as dredging and resource exploration and development, within Canadian waters should be crewed by Canadians;

THEREFORE BE IT RESOLVED that the federal government recognize shipping as an integral part of a national transportation system by implementing its own Ministry of Transport recommendation that all shipping between Canadian ports be done by Canadian crews sailing Canadian ships; and

BE IT FURTHER RESOLVED that the Canadian Labour Congress demand that the federal government institute a program of repatriation of all Canadian flag of convenience vessels to be crewed by Canadians; and

BE IT FURTHER RESOLVED that ship repairs and the building of new and replacement vessels be carried out in Canadian shipyards; and

BE IT FURTHER RESOLVED that the Canadian Labour Congress renew its demand for the re-establishment of a Canadian Merchant Marine, with ships built in Canada and crewed by Canadian crews; and

BE IT FURTHER RESOLVED that the UNCTAD 40-40-20 formula be adopted as a basis for re-establishing a Canadian Merchant Marine; and

BE IT FURTHER RESOLVED that vessels used in offshore operations be crewed by Canadian crews.

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APPENDIX B

FEDERAL NDP PROGRAM TO ESTABLISH A CANADIAN MERCHANT MARINE (AS ANNOUNCED ON APRIL 2, 1979)

1. Repatriation of existing Canadian owned fleets.
2. Restriction on nationality of ships able to carry Canadian goods in Canadian waters (similar to the Jones law in place in the U.S.).
3. Stimulate shipbuilding with loans and grants carefully planned so that a national Canadian policy restores private sector confidence in this important industrial sector.
4. Guarantee that future shipping of petroleum and mineral products from Arctic sources is owned, developed, built and manned by Canadians.
5. Adopt a UN shipping convention rule for trading partners which guarantees that at least 40 per cent of Canadian goods will be carried on Canadian ships.

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